Government of Canada Gouvernement du Canada **Department of Finance Canada** Canada

The Fiscal Monitor
A publication of the Department of Finance

Highlights

April and May 2016: budgetary surplus of $0.1 billion

For the first two months of the 2016-17 fiscal year (April and May), there was a budgetary surplus of $0.1 billion, compared to a surplus of $3.9 billion reported in the same period last year. By month, there was a surplus of $0.7 billion in April and a deficit of $0.6 billion in May.

For the two months combined, revenues decreased by $1.0 billion, or 2.1 per cent, as an increase in income tax revenues was more than offset by decreases in excise taxes and duties and other revenues. Program expenses were up $3.5 billion, or 8.8 per cent, reflecting increases in major transfers to persons and other levels of government and direct program expenses. Public debt charges decreased by $0.7 billion, or 13.5 per cent, largely reflecting lower consumer price index adjustments on Real Return Bonds and lower average effective interest rates on the stock of interest-bearing debt.

April and May 2016 budgetary results

There was a budgetary surplus of $0.1 billion in the April to May 2016 period, compared to a $3.9-billion surplus for the same period in the previous year.

Revenues decreased by $1.0 billion, or 2.1 per cent, to $48.0 billion.

- Personal income tax revenues were up $0.4 billion, or 1.6 per cent.
- Corporate income tax revenues were up $0.5 billion, or 7.6 per cent.
- Non-resident income tax revenues were up $0.2 billion, or 19.0 per cent.
- Excise taxes and duties were down $0.2 billion, or 3.0 per cent. Within this component, Goods and Services Tax (GST) revenues were down $0.2 billion, or 4.0 per cent. Energy taxes were down $0.1 billion, customs import duties were up $0.1 billion and other excise taxes and duties were up $16 million.
- Employment Insurance (EI) premium revenues were up $0.1 billion, or 1.7 per cent, reflecting growth in earnings.
- Other revenues, consisting of net profits from enterprise Crown corporations, revenues of consolidated Crown corporations, revenues from sales of goods and services, returns on investments, net foreign exchange revenues and miscellaneous revenues were down $1.8 billion, or 27.9 per cent. This decline is the result of a significant gain realized on the sale of the Government's remaining holdings of General Motors common shares in April 2015, which did not recur in 2016.

Program expenses increased by $3.5 billion, or 8.8 per cent, to $43.5 billion.

- Major transfers to persons, consisting of elderly benefits, EI benefits and children's benefits, increased by $1.3 billion, or 9.7 per cent. Elderly benefits increased by $0.3 billion, or 4.0 per cent, due to growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments increased by $0.1 billion, or 3.4 per cent. Children's benefits were up $0.9 billion, or 39.2 per cent, largely reflecting increased benefits related to the enhancement and expansion of the Universal Child Care Benefit.

- Major transfers to other levels of government consist of federal transfers in support of health and other social programs (primarily the Canada Health Transfer and the Canada Social Transfer), fiscal arrangements and other transfers (Equalization, transfers to the territories, as well as a number of smaller transfer programs), transfers to provinces on behalf of Canada's cities and communities, and the Quebec Abatement. Major transfers to other levels of government increased by $0.5 billion, or 4.4 per cent, primarily reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories.

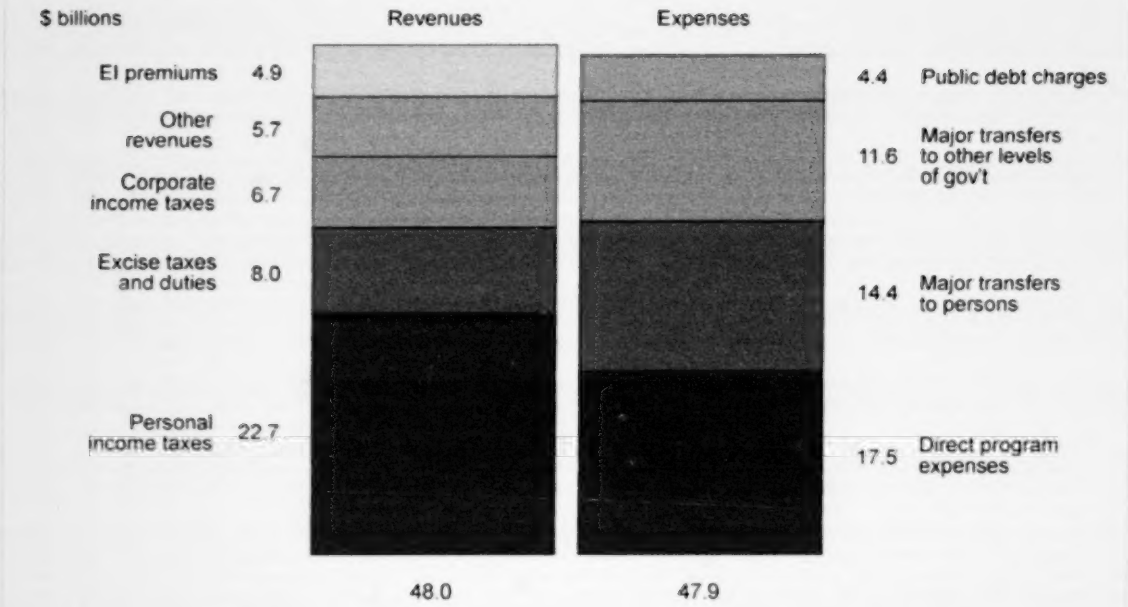
- Direct program expenses include transfer payments to individuals and other organizations not included in major transfers to persons and other levels of government, and other direct program expenses, which consist of operating expenses of departments and agencies, and expenses of Crown corporations. Direct program expenses were up $1.7 billion, or 11.0 per cent.

    - Transfer payments increased by $0.7 billion, or 15.0 per cent, largely reflecting year-over-year differences in the timing of transfers across several departments.

    - Other direct program expenses increased by $1.0 billion, or 9.3 per cent, due in large part to an increase in pension and benefit costs based on the Government's latest actuarial valuations.

Public debt charges decreased by $0.7 billion, or 13.5 per cent, largely reflecting lower consumer price index adjustments on Real Return Bonds and lower average effective interest rates on the stock of interest-bearing debt.

Revenues and expenses (April 2016 to May 2016)



Note: Totals may not add due to rounding.

Financial requirement of $8.5 billion for April and May 2016

The budgetary balance is presented on an accrual basis of accounting, recording government revenues and expenses when they are earned or incurred, regardless of when the cash is received or paid. In contrast, the financial source/requirement measures the difference between cash coming in to the Government and cash going out. This measure is affected not only by changes in the budgetary balance but also by the cash source/requirement resulting from the Government's investing activities through its acquisition of capital assets and its loans, financial investments and advances, as well as from other activities, including payment of accounts payable and collection of accounts receivable, foreign exchange activities, and the amortization of its tangible capital assets. The difference between the budgetary balance and financial source/requirement is recorded in non-budgetary transactions.

With a budgetary surplus of $0.1 billion and a requirement of $8.6 billion from non-budgetary transactions, there was a financial requirement of $8.5 billion for the April to May 2016 period, compared to a financial requirement of $1.4 billion from the same period the previous year.

Net financing activities up $23.3 billion

The government financed this financial requirement of $8.5 billion and increased cash balances by $14.8 billion by increasing unmatured debt by $23.3 billion. The increase in unmatured debt was achieved primarily through the issuance of marketable bonds and treasury bills. The level of cash balances varies from month to month based on a number of factors including periodic large debt maturities, which can be quite volatile on a monthly basis. Cash balances at the end of May 2016 stood at $52.6 billion, up $12.5 billion from their level at the end of May 2015.

Table 1
Summary statement of transactions
($ millions)

	April		May		April – May	
	2015	**2016**	**2015**	**2016**	**2015–16**	**2016–17**
Budgetary transactions						
Revenues	25,370	24,724	23,680	23,318	49,050	48,042
Expenses						
Program expenses	-20,298	-21,959	-19,729	-21,575	-40,027	-43,534
Public debt charges	-2,528	-2,059	-2,550	-2,335	-5,078	-4,394
Budgetary balance (deficit/surplus)	2,544	706	1,401	-592	3,945	114
Non-budgetary transactions	-585	-5,976	-4,797	-2,649	-5,382	-8,625
Financial source/requirement	1,959	-5,270	-3,396	-3,241	-1,437	-8,511
Net change in financing activities	6,510	11,545	7,028	11,721	13,538	23,266
Net change in cash balances	8,469	6,275	3,632	8,480	12,101	14,755
Cash balance at end of period					40,052	52,599

Notes: Positive numbers indicate net source of funds. Negative numbers indicate net requirement for funds.

Table 2
Revenues

	April		May		April – May		
	2015	**2016**	**2015**	**2016**	**2015 –16**	**2016 –17**	**Change**
	($ millions)						(%)
Tax revenues							
Income taxes							
Personal income tax	11,110	12,730	11,244	9,990	22,354	22,720	1.6
Corporate income tax	3,417	2,882	2,811	3,822	6,228	6,704	7.6
Non-resident income tax	336	434	471	526	807	960	19.0
Total income tax	14,863	16,046	14,526	14,338	29,389	30,384	3.4
Excise taxes and duties							
Goods and Services Tax	2,413	2,598	3,249	2,838	5,662	5,436	-4.0
Energy taxes	516	423	425	427	941	850	-9.7
Customs import duties	390	412	373	403	763	815	6.8
Other excise taxes and duties	408	402	511	533	919	935	1.7
Total excise taxes and duties	3,727	3,835	4,558	4,201	8,285	8,036	-3.0
Total tax revenues	18,590	19,881	19,084	18,539	37,674	38,420	2.0
Employment Insurance premiums	2,479	2,505	2,325	2,379	4,804	4,884	1.7
Other revenues	4,301	2,338	2,271	2,400	6,572	4,738	-27.9
Total revenues	25,370	24,724	23,680	23,318	49,050	48,042	-2.1

Note: Totals may not add due to rounding.

Table 3
Expenses

	April		May		April – May		
	2015	2016	2015	2016	2015 –16	2016 –17	Change
	($ millions)						(%)
Major transfers to persons							
Elderly benefits	3,723	3,842	3,755	3,938	7,478	7,780	4.0
Employment Insurance benefits	1,726	1,734	1,760	1,870	3,486	3,604	3.4
Children's benefits	1,075	1,507	1,115	1,542	2,190	3,049	39.2
Total	6,524	7,083	6,630	7,350	13,154	14,433	9.7
Major transfers to other levels of government							
Support for health and other social programs							
Canada Health Transfer	2,835	3,005	2,836	3,006	5,671	6,011	6.0
Canada Social Transfer	1,080	1,113	1,080	1,112	2,160	2,225	3.0
Total	3,915	4,118	3,916	4,118	7,831	8,236	5.2
Fiscal arrangements and other transfers	2,016	2,057	2,015	2,056	4,031	4,113	2.0
Canada's cities and communities	0	0	0	0	0	0	n/a
Quebec Abatement	-385	-382	-384	-381	-769	-763	-0.8
Total	5,546	5,793	5,547	5,793	11,093	11,586	4.4
Direct program expenses							
Transfer payments							
Agriculture and Agri-Food Canada	25	37	37	44	62	81	30.6

Employment and Social Development Canada	328	346	313	331	641	677	5.6
Global Affairs Canada	213	148	146	325	359	473	31.8
Health Canada	437	469	223	258	660	727	10.2
Indigenous and Northern Affairs Canada	958	979	304	426	1,262	1,405	11.3
Innovation, Science and Economic Development Canada	221	240	71	128	292	368	26.0
Other	745	1,069	713	643	1,458	1,712	17.4
Total	2,927	3,288	1,807	2,155	4,734	5,443	15.0
Other direct program expenses							
Crown corporations	745	854	624	625	1,369	1,479	8.0
National Defence	1,355	1,506	1,633	1,853	2,988	3,359	12.4
All other departments and agencies	3,201	3,435	3,488	3,799	6,689	7,234	8.1
Total other direct program expenses	5,301	5,795	5,745	6,277	11,046	12,072	9.3
Total direct program expenses	8,228	9,083	7,552	8,432	15,780	17,515	11.0
Total program expenses	20,298	21,959	19,729	21,575	40,027	43,534	8.8
Public debt charges	2,528	2,059	2,550	2,335	5,078	4,394	-13.5
Total expenses	22,826	24,018	22,279	23,910	45,105	47,928	6.3

Note: Totals may not add due to rounding.

Table 4
The budgetary balance and financial source/requirement
($ millions)

	April		May		April – May	
	2015	**2016**	**2015**	**2016**	**2015 –16**	**2016 –17**
Budgetary balance (deficit/surplus)	2,544	706	1,401	-592	3,945	114
Non-budgetary transactions						
Capital investment activities	-107	-107	-55	-172	-162	-279
Other investing activities	506	-684	-628	-689	-122	-1,373
Pension and other accounts	295	115	110	452	405	567
Other activities						
Accounts payable, receivables, accruals and allowances	-5,495	-6,331	-2,582	2,123	-8,077	-4,208
Foreign exchange activities	3,828	651	-2,022	-4,807	1,806	-4,156
Amortization of tangible capital assets	388	380	380	444	768	824
Total other activities	-1,279	-5,300	-4,224	-2,240	-5,503	-7,540
Total non-budgetary transactions	-585	-5,976	-4,797	-2,649	-5,382	-8,625
Financial source/requirement	1,959	-5,270	-3,396	-3,241	-1,437	-8,511

Note: Totals may not add due to rounding.

Table 5
Financial source/requirement and net financing activities
($ millions)

	April		May		April – May	
	2015	**2016**	**2015**	**2016**	**2015 –16**	**2016 –17**
Financial source/requirement	1,959	-5,270	-3,396	-3,241	-1,437	-8,511
Net increase (+)/decrease (-) in financing activities						
Unmatured debt transactions						
Canadian currency borrowings						
Marketable bonds	8,118	8,878	-1,417	3,225	6,701	12,103
Treasury bills	1,400	4,800	6,600	4,400	8,000	9,200
Retail debt	-40	12	3	132	-37	144
Total	9,478	13,690	5,186	7,757	14,664	21,447
Foreign currency borrowings	-802	90	269	1,158	-533	1,248
Total	8,676	13,780	5,455	8,915	14,131	22,695
Cross-currency swap revaluation	-2,287	-2,175	1,530	2,579	-757	404
Unamortized discounts and premiums on market debt	158	-26	59	244	217	218
Obligations related to capital leases and other unmatured debt	-37	-34	-16	-17	-53	-51
Net change in financing activities	6,510	11,545	7,028	11,721	13,538	23,266
Change in cash balance	8,469	6,275	3,632	8,480	12,101	14,755

Note: Totals may not add due to rounding.

Note: Unless otherwise noted, changes in financial results are presented on a year-over-year basis.

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July 2016

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Cat. No.: F12-4E-PDF
ISSN: 1487-0134